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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000019

SIPDIS

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SUBJECT: BEIJING VIEWS ON FOURTH ROUND OF CROSS-STRAIT TALKS

REF: (A) 09 AIT TAIPEI 1527 (B) 09 AIT TAIPEI 1523
(C) 09 TAIPEI 1527

Classified By: Classified By: Econ Minister Counselor William Weinstein
. Reasons: 1.4 (b) and (d).

11. (C) SUMMARY: Association for Relations Across the Taiwan Strait (ARATS) Vice Secretary General Ma Xiaoguang said that of the three agreements signed in the December 21-23 Straits Exchange Foundation (SEF)-ARATS talks in Taichung, the one on agriculture was most likely to benefit Taiwan as it opened mainland markets to Taiwan products, but not vice-versa. The failure to sign a double taxation agreement was due to Taipei's slow movement, but both sides will continue to seek an agreement. The talks included an "exchange of principles" on how to conduct Economic Cooperation Framework Agreement (ECFA) negotiations, but no target completion date was set. Ma assessed DPP opposition as getting stronger in Taiwan, and said Taiwan President Ma Ying-Jeou's failure to handle various crises in Taiwan over the past year had undermined his public support. Beijing wants to engage Taiwan in political discussions, but will respect President Ma's unwillingness to do so at the current time. Nonetheless, deepening economic discussions will "inevitably" lead to political exchanges, Ma Xiaoguang assessed. END SUMMARY.

FOURTH ROUND OF ARATS-SEF TALKS

12. (C) Meeting with the Acting DCM December 29, ARATS Vice Secretary General Ma Xiaoguang provided Beijing's take on the recently concluded ARATS-Straits Exchange Foundation (SEF) discussion in Taichung (reftels). The three agreements signed, on fishing industry labor issues, agricultural produce, and industrial standards, were "quite technical." The agricultural inspections and quarantines agreement would be of particular benefit to Taiwan, Ma suggested, as it opened the Mainland to Taiwan produce, but involved no reciprocity from Taiwan. (Comment: This appears to be an effort to woo Taiwan's rural voters, who are more likely to support the DPP. End Comment.)

13. (C) On the failure to sign an agreement on double-taxation, Ma laid the blame on the Taiwan side. Taiwan did not decide until October 2009 to hold talks on the topic, and the Legislative Yuan was still reviewing the relevant regulations in order to authorize executive agencies to draft flexible taxation rules for Mainland enterprises.

Therefore negotiations started too late to deal with all the technical issues involved in time for an agreement by December, Ma said. "More time is required," but both sides agreed to make efforts to sign a double taxation agreement in the future. Ma noted that the Mainland had already unilaterally waived some taxes on Taiwan's maritime and airline companies, but Taiwan has not reciprocated.

14. (C) Ma commented that in discussions on expanding transportation rights (ref B and C), the Mainland had been unwilling to discuss fifth freedom rights as the original deal permitting direct travel between the Mainland and Taiwan stipulated that travelers carry "mutually recognized certificates," rather than passports, making it impossible for travelers to continue on to any other country outside the Mainland or Taiwan.

WORKING TOWARDS ECFA

15. (C) There was only "an exchange of principles" on the Economic Cooperation Framework Agreement (ECFA) at the talks. Ma said the two sides did not discuss the content of such an agreement. The principles discussed include the following: negotiations will be conducted "on an equal footing" and an ECFA will be WTO compliant. The negotiations will be conducted by government officials from both sides, working within the SEF/ARATS framework. ARATS and SEF agreed that ECFA should be a "major topic" in the fifth round of talks, expected in June, and that experts' consultations on a framework should begin soon. According to Ma there is a

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"mutual willingness" to sign an ECFA as soon as possible, but negotiations will be complex, and Ma was unwilling to name a fixed date for projected completion.

HARD WORDS FOR DPP AND KMT

16. (C) Offering his "personal view," Ma offered an assessment of the politics in Taiwan around the talks. The Democratic People's Party's (DPP) opposition to cross-Strait negotiations has become stronger and more effective. It was now "misleading the public" by erroneously claiming that bilateral agreements will only help "big capitalists." The main reason the DPP had been effective with this line of argument was due to the international financial crisis, Ma assessed. He also freely criticized Taiwan president Ma Ying-jeou. President Ma "has not done a good job of handling the economy," and for this and other reasons his leadership "is not satisfactory to many in Taiwan. He said Ma's inability to handle these issues has eroded support for initiatives such as ECFA because people do not believe he can secure a good deal on their behalf.

PACE AND CONTENT OF CROSS STRAIT RELATIONS

17. (C) Ma said that although cross-Strait relations developed relatively quickly in 2009, a slower pace would be acceptable as long as the two sides maintained momentum in the discussions. Although in his inaugural address Ma Ying-jeou said he wanted political negotiations with the Mainland and a peace agreement, changes in Taiwan over the past year have forced Ma to push less actively for this. The Mainland would like to start political negotiations "at an early stage," but would not promote them against Ma Ying-jeou's will. In the meantime, the Mainland will work to strengthen the basis for political negotiations under the 1992 consensus. Deepening economic relations will inevitably lead to more complicated political issues, Ma continued, and Beijing and Taipei will need mutual "political trust" to address these. Ma also reflected on growing economic ties, saying Beijing "realized" that "even the rapid growth of economic ties will not lead to

unification naturally."

ARATS and TAO

¶9. (C) Ma explained that ARATS is officially a "social organization" registered with the Ministry of the Interior (Note: This probably refers to the Ministry of Civil Affairs. End Note). However, ARATS is physically co-located with the Taiwan Affairs Office (TAO), occupying one floor of the TAO's office building. Ma noted that in addition to his position as a Vice Secretary General at ARATS, he is also Director General of the TAO's Comprehensive Bureau. The Acting DCM's meeting was arranged through the TAO's External Affairs Office. (Comment: Ma clearly did not view his overlapping roles or ARATS and TAO's co-location as a sensitive topic, making no effort to maintain the fiction that ARATS is a non-governmental organization. End Comment)

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